



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

August 8, 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES REQUEST FOR
SUBORDINATION OF PASS-THROUGH PAYMENTS TO COUNTY TAXING ENTITIES ON THE
PACOIMA/PANORAMA CITY EARTHQUAKE DISASTER ASSISTANCE
REDEVELOPMENT PROJECT
(THIRD DISTRICT) (3 VOTES)**

**JOINT RECOMMENDATION OF THE CHIEF ADMINISTRATIVE OFFICER AND THE FIRE CHIEF
THAT YOUR BOARD:**

Approve a Resolution subordinating the County of Los Angeles' and the Fire District's right to receive pass-through payments from the Community Redevelopment Agency of the City of Los Angeles' (Agency) Earthquake Disaster Assistance Project for Portions of Council District 7 (Pacoima/Panorama City Project) to the Agency's Series B tax allocation bonds (Series B Bonds) only, but not for any past or future parity indebtedness.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Pacoima/Panorama City Project was adopted on November 29, 1994 as Ordinance No. 170,156. The Agency is preparing to issue a second series of bonds for the purpose of financing a portion of redevelopment activities. The subordination is required by law on a timely Agency request and showing that sufficient funds to pay both debt service and pass-through payments to affected taxing agencies will be available when payments are due. The Agency submitted its subordination request to the County on June 27, 2006.

Implementation of Strategic Plan Goals

This action supports Goal 4, Fiscal Responsibility of the County Strategic Plan to strengthen the County's fiscal capacity.

FISCAL IMPACT/FINANCING

Health and Safety Code Section 33607.5(e) provides that pass-through payments to the taxing entities may be subordinated to the Agency's payments for debt service. The County may

Board of Supervisors
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First District

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Third District

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Fifth District

disapprove a request for subordination only if it finds, based on substantial evidence, that the Agency will not be able to pay both the debt service payments and the pass-through payments to the taxing entities. The Agency's tax increment projections, reviewed by this Office, indicate that there will be sufficient coverage to satisfy the debt service on the Series B Bonds, and the required pass-through payments to the taxing entities.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Section 33607.5(e)(3) provides: "If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive." The Agency requested subordination for the Series B Bonds, for its Series A Bonds issued in September 2003, and "any future parity indebtedness." The Agency has made similar requests in the past, and your Board has declined to approve subordination on future indebtedness.

County Counsel recommends limiting subordination to the proposed Series B Bonds only, and not granting approval for past or future parity indebtedness, i.e., past or future debt with equal claim on Project tax increment. Since the primary justification for subordinating the County's position is to reduce the Agency's financing costs, County Counsel recommends your Board take no action on the Agency's request to subordinate its Series A Bonds, which represents its past indebtedness. County Counsel also recommends the County retain the right to review future indebtedness on a case-by-case basis. Accordingly, we will review the facts of any future subordination request.

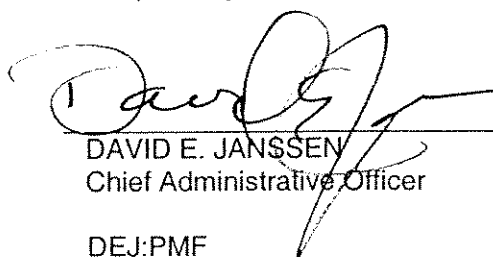
Failure to act within 45 days after receipt of the Agency's request of June 27, 2006 constitutes County approval of the Agency's request to subordinate to the Bonds and "any future parity indebtedness".

CONCLUSION

At such time as the recommendation is approved by your Board, please return one copy of this letter and Resolution to the Chief Administrative Office, Office of Unincorporated Area Services and Special Projects, and one copy of the letter and Resolution to the Auditor-Controller, Tax Division.

Respectfully submitted,

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer



P. MICHAEL FREEMAN
Fire Chief

DEJ:PMF
MKZ:DS:RMR:ib

Attachment

c: Auditor-Controller
County Counsel
Chief Financial Officer, Los Angeles Redevelopment Agency

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES' RIGHT TO RECEIVE
PASS-THROUGH PAYMENTS TO THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES PACOIMA/PANORAMA CITY PROJECT**

WHEREAS, the City Council of the City of Los Angeles on November 29, 1994 adopted Ordinance No. 170,156, a Redevelopment Plan for the Earthquake Disaster Assistance Project for Portions of Council District 7 (the "Pacoima/Panorama City Project"); and

WHEREAS, the Community Redevelopment Agency of the City of Los Angeles (the "Agency") in September 2003 issued bonds payable from tax revenues from the Pacoima/Panorama City Project (the "Series A Loan") and on June 27, 2006 by letter advised its intention to issue an additional series of parity tax allocation bonds (the "Series B Loan") also payable from and secured by a pledge of certain Pacoima/Panorama City Project tax increment revenues, and requested of the County of Los Angeles (the "County") and the Los Angeles County Consolidated Fire Protection District ("the Fire District") that any and all payments which the County and the Fire District are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from the Pacoima/Panorama City Project be subordinated to the Agency's payments of principal and interest on the Series A Loan and Series B Loan and any future parity indebtedness Loan; and

WHEREAS, subordination does not lessen or eliminate the Agency's obligation to make the required payments to the County and the Fire District under Section 33607.5 and is intended to permit the Agency to obtain a higher credit rating on its bonds and thus lower the Agency's financing costs; and

WHEREAS, Section 33607.5 provides that if the redevelopment agency requests an affected taxing entity to subordinate the amount to be paid to it prior to the Agency incurring any bonded indebtedness, and the agency provides substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

WHEREAS, the Agency made no request to the County to subordinate its Series A Loan prior to incurring its bond indebtedness; and

WHEREAS, the Agency has presented evidence demonstrating its ability to make the required payments to the County and the Fire District after payment of debt service on the Pacoima/Panorama City Project Series B Loan, but not as to any "future parity indebtedness."

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

Subordinate the County's Right to Receive
Pass-Through Payments to the Community
Redevelopment Agency of the
City of Los Angeles Pacoima/Panorama City Project
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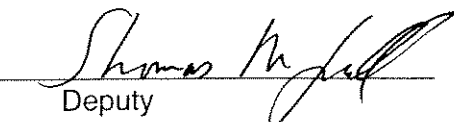
The County and the Fire District hereby agree that so long as the Pacoima/Panorama City Project Series B Loan remains outstanding, any and all payments which the County and the Fire District are entitled to receive from the Pacoima/Panorama City Project pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from the Pacoima/Panorama City Project to pay the principal of and interest on the Series B Loan.

SACHI A. HAMAI, Executive Officer
Clerk of the Board of Supervisors
Of the County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM
BY COUNTY COUNSEL

RAYMOND G. FORTNER, JR.

By 
Deputy